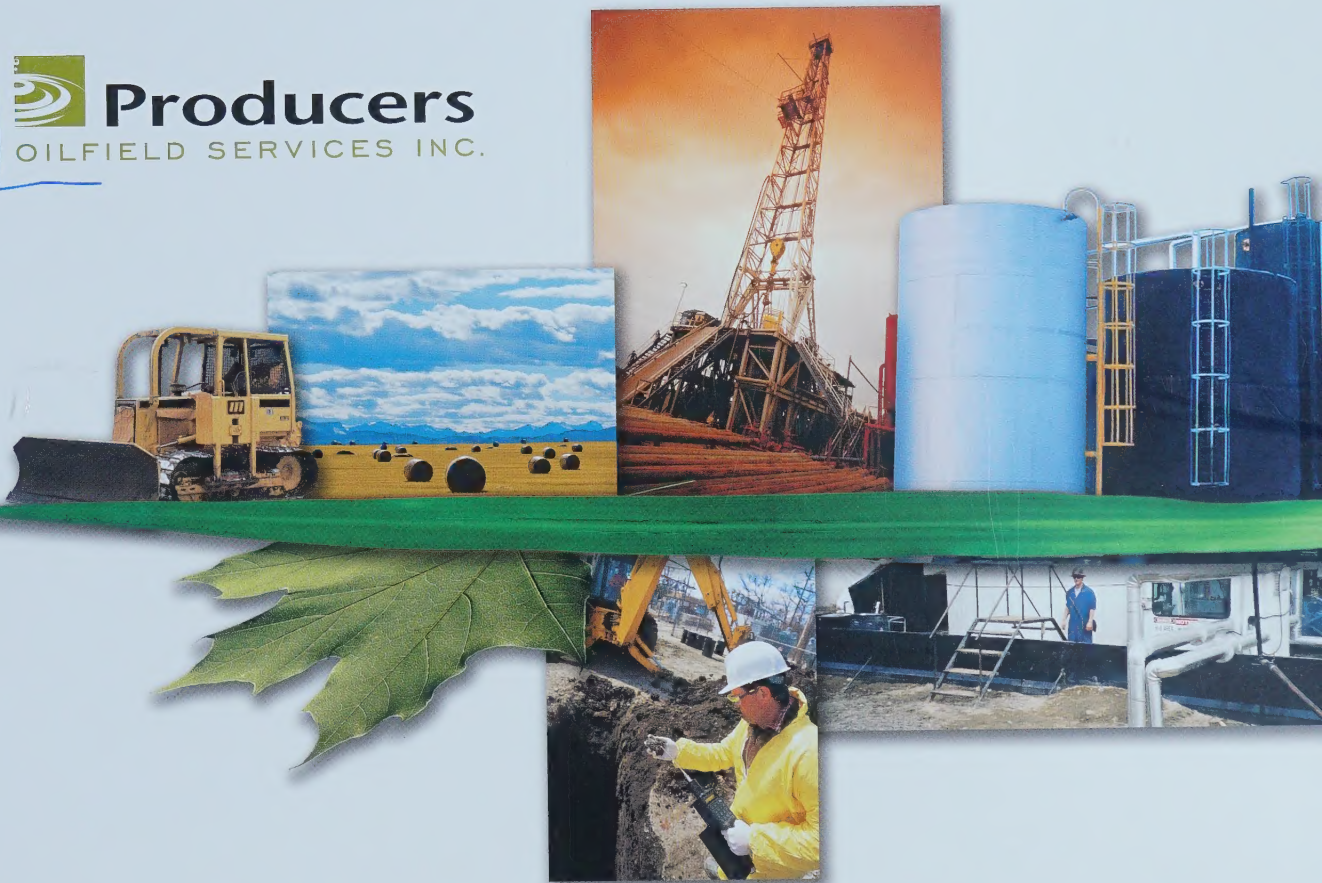


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Corporate Highlights 2003

February

- A special committee of the Board of Directors was established with a broad mandate to review all aspects of the business plan.
- Recommendation of the special committee to change the strategic direction of the Company and deploy capital to the oilfield services sector was approved by the Board of Directors.

April

- Acquired all the issued and outstanding shares of Producers Disposal Services Ltd., a private oilfield services company providing environmentally responsible waste management solutions to the upstream oil and gas industry.
- Issued a private placement of 3,500,000 common shares for gross proceeds of \$1,925,000.

May

- The annual and special meeting of shareholders.
- Elected a new Board of Directors.
- Approved the change of name to Producers Oilfield Services Inc.

September

- Acquired all the issued and outstanding shares of Patch Point Enterprises Ltd., a leading provider of construction and maintenance services to the oil and gas industry in northern British Columbia and northern Alberta.
- Issued a non-convertible debenture for \$2,000,000 with interest at 10 percent.

October

- Acquired all the issued and outstanding shares of Natana Inc., a private company holding a 50 percent interest in Rycroft Disposal Well Inc.

December

- Issued a private placement of 2,500,000 shares for gross proceeds of \$6,000,000.
- Acquired the balance of shares and interest in Rycroft, a private oilfield services company providing waste management solutions to the Grande Prairie area.

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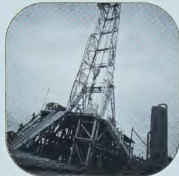
44. Shareholder Information

IBC. Corporate Information

Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Producers Oilfield Services Inc. will be held on May 12, 2004 in the Cardium Room at the Calgary Petroleum Club, 319-5th Avenue S.W., Calgary, Alberta at 3:00 p.m.

Producers Oilfield Services



Corporate Profile

Producers Oilfield Services Inc. is an Alberta-based oilfield service company that provides management and financial expertise, technology and systems support to its subsidiary companies. The business of the Company is focused on two segments of the oil and gas industry: the handling and disposal of oilfield waste fluids and material, and facility construction and maintenance. In 2003, the Company acquired subsidiaries operating three oilfield waste treatment and disposal facilities in Alberta. Another subsidiary acquisition in British Columbia provides a wide range of services to the oil and gas industry including varied maintenance and construction projects.

Corporate Structure

Each business unit is operated as a wholly-owned subsidiary, with each accountable for its own results, return of capital employed and overall performance. The operations of the Company in 2003 are reported in three segments:

- Oilfield Waste Management;
- Oilfield Construction and Maintenance; and
- Technology.

The Technology segment applies to our moveitonline™ management software which is presently adapted for use in our Oilfield Waste Management business.

The corporate office is comprised of a small group of individuals focused on providing our subsidiary business units with the following:

- Capital;
- Centralized banking;
- Systems, training and human resource expertise;
- Technology; and
- Overall business strategy.

President's Message

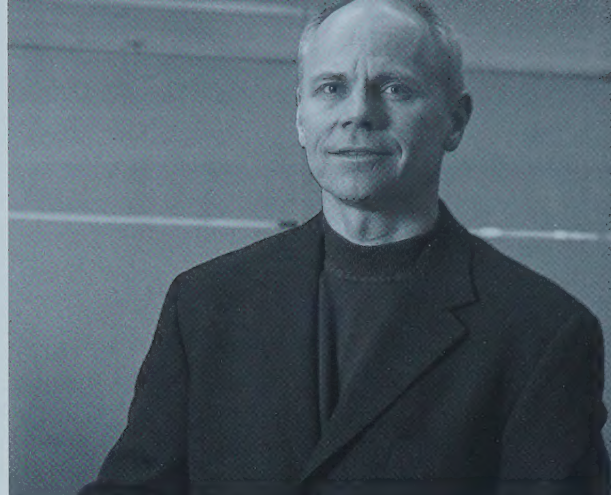
The year 2003 will be remembered as one of phenomenal change for Producers Oilfield Services Inc. We began the year by fundamentally changing our business model from software development and logistics to oilfield services. The Board of Directors determined that this course of action would provide our shareholders with the best opportunity to realize a return on their investment. With 2003 at an end, I feel safe in saying that our decision to change was the right one for the shareholders.

The following table compares our financial metrics at the end of 2002 with a much improved situation at the end of 2003.

	2003	2002
Revenue	\$ 8,565,624	\$ 5,302,827
Pre-tax loss	\$ (1,407,402)	\$ (3,796,253)
Working capital	\$ 3,706,160	\$ 8,356,023
Share price	\$ 2.80	\$ 0.25
Market capitalization	\$ 72,969,484	\$ 3,592,632

I will now outline how our transformation was accomplished.

The first step involved developing a vision and backing it up with a business plan. I wish to thank our chairman, Mr. Murray K. Mullen, for



Stephen H. Lockwood Q.C.,
President and Director

his vision, combined with his insight and guidance which were instrumental in generating and implementing our business plan.

The second step was to acquire Producers Disposal Services Ltd. (PDS) in April 2003. This acquisition accomplished a number of goals we had developed in our business plan. It provided us with a well run operating business in the oilfield services sector which we were targeting. It allowed us to attract highly qualified individuals to join our Board of Directors, and it provided us with an opportunity to raise additional equity.

The final step occurred at our shareholders' meeting held on May 13, 2003. At that time our shareholders elected our current Board



Kevin Baumann,
Director
President, Producers
Disposal Services Ltd.
A Director since
May 13, 2003.

Kevin D. Olson,
Director
Fund Manager,
EnergyOne Private
Equity Fund.
A Director since
May 13, 2003.

Don Smith,
Director
Chief Executive
Officer of Patch
Point Enterprises.
A Director since
September 10, 2003.

Murray K. Mullen,
Chairman of the
Board and Director
President and
Chief Executive
Officer of Mullen
Transportation Inc.
Chairman and
Director since
June 1, 2001.

Kevin Hertz,
Director
Region Vice-
President and Chief
Operating Officer of
Rider Resources Ltd.
A Director since
May 13, 2003.

Stephen H.
Lockwood, Q.C.,
President and
Director
Partner, Carscallen
Lockwood LLP.
President of the
Company since
April 4, 2003.
A Director since
June 1, 2001.

Bruce W. Mullen,
Director
Senior
Vice-President and
Director of Mullen
Transportation Inc.
A Director since
May 13, 2003.

Jamie Biluk,
Director
Region Vice-
President (Canada),
Weatherford Drilling
and Intervention
Services, a division
of Weatherford
Canada Partnership.
A Director since
May 13, 2003.

and approved our name change to Producers Oilfield Services Inc. With this, our transformation was complete and we proceeded to add to shareholder value by making further acquisitions and raising additional equity. In September 2003, we acquired Patch Point Enterprises Ltd. (Patch Point) followed by the acquisition of Rycroft Disposal Well Inc. (Rycroft) in December 2003 and completed an equity issue that raised net proceeds of \$5,622,887.

With 2003 behind us we now look forward to another busy year in 2004. We see opportunity for internal expansion at our Oilfield Waste Management facilities at Grande Cache and Rycroft. There is opportunity

for further acquisitions in the Oilfield Waste Management business as well as opportunities to develop and construct our own facilities. In proceeding with either acquisitions or the development of new facilities, we will always be conscious of the costs and environmental risks, and will ensure that we have the best possible locations.

We also see additional opportunities for internal growth with Patch Point. We intend to utilize Patch Point's expertise to assist us in assessing acquisition opportunities and in designing and constructing new Oilfield Waste Management facilities.

"We are very satisfied with what we feel has been a successful transformation of the Company."



We continue to believe that the oil and gas industry in western Canada offers significant opportunity to those companies that have strong customer contacts and understand the industry. With the industry background and contacts that our Board provides, I am confident that Producers Oilfield Services will continue to prosper and grow through 2004. At year-end 2003, Producers Oilfield Services had \$4,895,987 of cash available and we are confident that these funds will be successfully invested to provide a positive rate of return for our shareholders.

Some of our shareholders may wonder what has become of our moveitonline™ product. I am happy to report that the product has been adapted for use in our Oilfield Waste Management business. This product will allow us to track, trace and monitor the movement of oilfield waste through the supply chain. Information that is gathered will be made available to customers and the regulators via the Internet on virtually a real-time basis.

Obviously, we are very satisfied with what we feel has been a successful transformation of the Company. However, the future is always uncertain and there are clearly risks lying ahead that we will need to address and manage. I am optimistic that the new direction initiated in 2003 will continue to prove fruitful through 2004 and beyond.

I would like to thank all of the directors and our employees for their dedication and hard work through 2003. Things never come easy during a time of change, but all stakeholders of Producers Oilfield Services should be proud of the efforts put forth by the Board and the employees.

On behalf of your Board of Directors,

Stephen H. Lockwood, Q.C.
President and Director

March 4, 2004

Oilfield Waste Management

Operations Review

Producers Disposal Services Ltd. (PDS) provides environmentally responsible waste management solutions to the upstream oil and gas industry. We operate under one simple formula – to offer cost effective solutions in waste disposal, partnered with professional expertise and service. We presently own and operate three licensed facilities in Alberta. The first facility, near Mayerthorpe, is licensed to receive oilfield waste fluids from drilling, completion, servicing and abandonment of oil and gas wells. The second facility near Grande Cache is licensed for 1B disposal and waste transfer. In 2003 the Alberta Energy and Utilities Board (AEUB) approved our application to expand our services to a full waste management plant. Construction will begin in 2004. The third facility was acquired in December 2003 near Rycroft. This state-of-the-art facility was completed in November 2003 and is now fully operational. Our Rycroft facility is licensed for produced water disposal with plans to expand to a full-service waste management facility in 2004.

Technology

During the last quarter of 2003 PDS released its electronic, web-based, waste tracking system. This Internet-accessible tool enables our customers to track all waste products received at PDS facilities in addition to providing the necessary documentation to meet AEUB requirements.



Environment, Health and Safety

Safety and environmental protection are two basic fundamentals at PDS. We believe that safety is of paramount importance to our customers, neighbours and employees. Our work demands the very best in plant and equipment, site preparation, technical and practical supervision, and above all, skilled operators. We are dedicated to protecting the health and safety of our employees and the environment. We continuously monitor our programs and systems by performing regular inspections, audits, ongoing employee training and engaging third-party companies to assess the integrity and reliability of the programs. We continually evaluate new technology and systems to increase the efficiency and quality of our systems. We are proud to report that we have no environmental legacy issues at any of our locations.



Strategy

With our existing facilities we have a strong foundation on which to base future expansion. Our strategy is to continue to grow the business throughout western Canada. We aim to increase our market share by building plants that are strategically located in order to meet our customers' requirements. In addition, we will continue to concentrate on becoming an industry leader in waste management solutions with a focus on employee health and safety, environmental protection and customer service.

Focus

For the later part of 2003 PDS was devoted to implementing the necessary controls and procedures to allow us to become a serious market participant. Along with identifying new facility locations, PDS implemented its Internet-based waste tracking system to provide our customers with accurate and readily available information. These activities have positioned PDS for considerable expansion through both the construction of new facilities and acquisitions.

Outlook

The acquisition of Producers Disposal Services Ltd. has provided Producers Oilfield Services Inc. with the opportunity to be an industry leader in the handling and disposal of oilfield waste fluids and materials for the oil and gas industry in western Canada.

In 2004 industry projections indicate that drilling activity will remain at or near record levels. We expect Producers Disposal Services to take maximum advantage of this strong activity and we are optimistic about the upcoming year for three reasons. First, Producers Disposal Services currently has three facilities strategically located in areas close to oil and gas fields. Second, we will expand two facilities; Grand Cache and Rycroft. Third, we plan to add up to eight facilities over the next few years starting in 2004.

Oilfield Construction and Maintenance

Operations Review

Patch Point Enterprises Ltd. (Patch Point) is a leading provider of construction and maintenance services to the oil and gas industry. Patch Point has been in business for 22 years and has built long-term relationships with clients by providing superior, reliable customer service and project delivery. Patch Point was acquired by Producers Oilfield Services Inc. in September 2003. Due to the seasonal nature of Patch Point's business, it employs between 90 and 200 employees plus an additional 50 contractors in field operations.

From its offices in Fort St. John, British Columbia, Patch Point provides a full range of complementary services throughout British Columbia and Alberta including:

- Plant site preparation;
- Pipeline construction and installation;
- Equipment setting and assembly
(separator packages, flare systems, tanks and compressors);
- Pipe welding and testing;
- Maintenance including on-stream shutdowns and turnarounds;
- Building erection, electrical, and instrumentation;
- Trucking services;
- Equipment rental; and
- Contract operating (project scheduling, manpower planning, and materials procurement, etc.).

Construction and maintenance services account for the majority of revenue and are sold primarily to the energy industry. These services include both bid and hourly projects and relate to the requirements of oil and gas companies for plant site preparation, equipment setting and assembly, and pipeline construction and installation.

Trucking services generate approximately 15 percent of Patch Point's total revenue. Patch Point has a number of specialized pieces of equipment which allows it to load, haul and set most items that are required to construct or maintain a field site.

Equipment rental revenue accounts for approximately 20 percent of Patch Point's total revenue. Patch Point has built a complete plant and facilities rental fleet. The rental fleet consists of office trailers, warehouse units, garbage dumpsters, air compressors, light towers, pipe racks, rig mats, generators, skid steers, and boom cats plus a number of small items.

Approximately 15 percent of Patch Point's total revenue is obtained from contract operating and related activities. On site, our team provides ongoing responsibility for organization, management and project implementation.



Quality and Safety

Patch Point believes that accident prevention is everyone's business and part of everyone's job. It has detailed safety and quality programs. As a leader in oilfield construction, Patch Point has developed a quality control program for the construction and erection of pressure piping and registered welding procedures tailored specifically to meet the requirements of its project work. Our approach to project management, industry standards and quality controls ensures quality performance and satisfaction in all project work. Our quality control program ensures that our activities and those of our sub-trades are performed in accordance with approved drawings and specifications, applicable codes and standards and contractual requirements.

2003 Activities

- **Everest Energy Corporation Project:** 10 kilometres of 4-inch pipeline and completion of well site in 21 days enabled Everest to make the facility operational before road bans.
- **Duvernay Oil Corporation Project:** survey, run piles, cut and cap, assist in setting equipment, weld and test all piping, and prepare plant for setup.
- **Pembina Pipelines Inc. Project:** installed approximately 10 kilometres of 4-inch pipeline in the Silverberry Field. This project involved crossing five creeks, one paved road, and railroad tracks.

Outlook

Patch Point is an industry leader in the construction and maintenance of facilities for the oil and gas industry in northern British Columbia. Drilling activity and capital investment is expected to remain very strong in 2004 which should provide Patch Point with the opportunity to expand market share and grow its business.

Our plan for the first part of 2004 is to focus on well tie-in projects until spring, then focus on maintenance projects and pipeline, facility and general maintenance work during the summer months. Patch Point has been invited to submit numerous bids for upcoming project work in 2004.

Management's Discussion and Analysis

The management's discussion and analysis for 2003 should be read in conjunction with the operations review and the financial statements included in this report. Additional information relating to the Company is on SEDAR at www.sedar.com, including our AIF (Annual Information Form). The date of this report is March 4, 2004.

Selected Annual Information

The following table provides annual financial results for the previous three years ending 2003, 2002 and 2001.

	2003	2002	2001
Revenue	\$ 27,790,694	\$ 5,302,827	\$ 20,299,068
Net loss	\$ 470,889	\$ 2,491,729	\$ 315,118
Net loss per share basic and diluted	0.04	0.17	0.02
Total assets	\$ 27,790,694	\$ 10,467,719	\$ 13,427,927
Total long term debt	\$ 137,500	\$ -	\$ -

Producers Oilfield Services Inc. changed the strategic direction of the Company in February 2003. The business plan adopted by the Board of Directors reduced employment levels in both the e-business and logistics segments in order to lower costs and to investigate opportunities to deploy capital into the oilfield services sector. Producers completed four

acquisitions in 2003, creating three business segments for reporting purposes as follows:

- Oilfield Waste Management;
- Oilfield Construction and Maintenance; and
- Technology.

The business segments related to oilfield services were created in 2003, whereas the Technology sector is comprised of logistics and e-business. In 2004 all logistics operations ceased and the

moveitonline™ version 2.0 management software continued to be utilized by our businesses in the Oilfield Waste Management segment to facilitate its operations and to improve customer service.

Overall Performance/Results of Operations

Revenue

Consolidated revenue was \$8,565,624 in 2003, an increase of 61.5 percent from \$5,302,827 in 2002. The net increase was comprised of reduced revenue from the Technology segment (e-business and logistics) and the new revenues created from the Oilfield Waste Management and Oilfield Construction and Maintenance segments.

Consolidated Revenue

Segment	2003	2002
Oilfield Waste Management	\$ 800,067	\$ -
Oilfield Construction and Maintenance	\$ 4,292,965	\$ -
Technology	\$ 472,592	\$ 5,302,827
Total	\$ 8,565,624	\$ 5,302,827

Expenses

Direct operating expenses in 2003 and 2002 were \$5,975,241 and \$4,699,070 respectively. Direct operating expenses consist mainly of employee wages, subcontractor labour and direct operating costs related to three waste management facilities and construction and maintenance equipment. Direct costs were 69.8 percent of revenue in fiscal 2003 compared to 88.6 percent in the prior year when the Company operated solely in the Technology segment. The expenses in

the Technology segment are direct carrier costs incurred in the provision of logistics services. The decline in 2003 from 2002 is directly attributable to the lower revenue for the segment. Gross margins increased from 11.4 percent to 30.2 percent. The increase is directly attributable to the Company's shift in strategic direction to deploy resources into the oilfield services sector.

Direct Operating Expenses

Segment	2003	2002
Oilfield Waste Management	\$ 2,098,801	\$ -
Oilfield Construction and Maintenance	\$ 3,520,639	\$ -
Technology	\$ 355,801	\$ 4,699,070
Total	\$ 5,975,241	\$ 4,699,070

Selling and Administrative Expenses

Selling and administrative expenses were \$2,930,655 in 2003 and \$3,381,735 in 2002. The decrease of \$451,080 is attributed to a combination of factors related to our new business plan including the reduced activity in the Technology segment and expenses related to the new oilfield services segments. As a percentage of revenue, selling and administrative expenses were higher than expected in 2003 due to one-time retiring allowances paid out in the year of \$474,491 resulting from the Company's cost restructuring program.

Selling and Administrative Expenses

Segment	2003	2002
Oilfield Waste Management	\$74,857	\$ -
Oilfield Construction and Maintenance	\$66,201	\$ -
Technology	\$75,888	\$ 2,640,700
Corporate	\$15,743	\$ 741,035
Total	\$192,689	\$ 3,381,735

Operating Income (Loss)

Operating loss is defined as net loss before interest, income taxes, depreciation and amortization, loss on disposal of fixed assets, and earnings from equity investment and extraordinary items.

The operating loss was \$340,272 in 2003 compared to \$2,777,978 in 2002. This is a decrease of 87 percent and reflects the results of our change in strategic direction to deploy resources in the oilfield services sectors. The following table illustrates the Company's operating income (loss) by segment.

Net Operating Income (Loss)

Segment	2003	2002
Oilfield Waste Management	\$326,409	\$ -
Oilfield Construction and Maintenance	\$66,128	\$ -
Technology	\$(357,094)	\$(2,036,943)
Corporate	\$(15,779)	\$(741,035)
Total	\$219,674	\$ (2,777,978)

Oilfield Waste Management Segment

Acquisitions in 2003:

- Producers Disposal Services Ltd.
- Natana Inc.
- Rycroft Disposal Well Inc.

Early in 2003, the Board of Directors determined that the Company needed to change its strategic direction and made the decision to focus on the oilfield services sector of the economy and in particular the Oilfield Waste Management operations in western Canada. The oil and gas industry is very robust and continues to experience strong growth. The Board anticipates that this growth and activity will continue, resulting in increased oil and gas activity in an effort to meet the energy demands of North America.

The acquisition of Producers Disposal Services Ltd. (PDS) occurred in April 2003 and included waste disposal facilities at both Mayerthorpe and Grande Cache in Alberta. The Mayerthorpe facility is licensed to receive oilfield waste fluids from drilling, completion, servicing and abandonment of oil and gas wells, whereas the Grande Cache facility is licensed for 1B disposal and waste transfer. The strategy for expansion continued in this segment with the acquisitions of Natana Inc. (Natana) and Rycroft Disposal Well Inc. (Rycroft). The Rycroft facility is licensed for produced water disposal. Construction of this new state-of-the-art facility was completed in November 2003 and operations commenced at that time. All the businesses in this segment work in competitive environments with competitors ranging from smaller, local businesses to large, publicly-traded companies.

Revenue

Revenue of \$3,800,067 in 2003 was derived from waste management services that are sold to oil and gas producers and their contractors in central and northwest Alberta. Waste processing charges vary according to the nature of the fluid, contained hydrocarbons, extent of processing required and the type of disposal. Certain tank cleaning services are also provided. Recovered oil is either returned to the producer or is retained and sold by PDS or Rycroft according to the pricing and contractual agreements with the customer.

This is the first operating year for this segment, hence there are no comparative amounts for 2002.

Direct Operating Expenses

Direct operating expenses of \$2,098,801 include costs for three waste management facilities consisting mainly of wages, fuel, trucking, landfill disposal costs and repairs and maintenance.

Selling and Administrative Expenses

Selling and administrative expenses of \$374,857 include salaries and other administrative costs for the new businesses acquired, the majority of which have a fixed component. As a percentage of revenue, selling and administrative expenses were 9.9 percent in 2003. We anticipate this percentage to be lower in 2004 as a full year of operations will be included and the demand for oilfield services is traditionally highest in the first quarter. In 2003 we entered the oilfield services sector in the second quarter.

Operating Income

Operating income for 2003 was \$1,326,409 or 35 percent of revenue. This is the first operating year for this segment; hence there are no comparative amounts for 2002.

Capital Expenditures

The segment made significant investments of \$1,143,594 in capital expenditures which consisted mainly of equipment required in the construction of additional waste management facilities, costs to upgrade our current waste treatment facilities and operating equipment to increase efficiencies.

Oilfield Construction and Maintenance Segment

Acquisition

- Patch Point Enterprises Ltd.

Our plan for expansion in the oilfield services sector was reflected in our acquisition of Patch Point Enterprises Ltd. (Patch Point) in September 2003. The offices of Patch Point are located in Fort St. John, British Columbia and the company provides a wide range of services to the oil and gas industry, including various construction and maintenance projects. Oil and gas drilling activity impacts revenue, as well as the number and size of capital projects in the sector. There are numerous competitors in this business, ranging from smaller local businesses to international companies.

Revenue

Revenue of \$4,292,965 was derived from construction and maintenance services sold primarily to the energy industry and in particular to those companies operating in north eastern British Columbia and north western Alberta. These services include both bid and hourly projects and relate to the requirements of the oil and gas companies for plant site preparation, equipment setting and assembly, pipeline construction and installation as well as trucking services, equipment rental and project management. This is the first operating year for this segment, hence there are no comparative amounts for 2002.

Direct Operating Expenses

The Company commenced operations in the Oilfield Construction and Maintenance segment with the acquisition of Patch Point on September 10, 2003. Direct operating costs of \$3,520,639, representing 82 percent of revenue, include costs for employees and subcontractors, as well as Company-owned or rented equipment.

Selling and Administrative Expenses

Selling and administrative expenses of \$266,201 included salaries and other administrative costs of the new business acquired. Selling and administrative costs were 6.2 percent of revenue in 2003.

Operating Income

Operating income for 2003 was \$506,125 or 11.8 percent of revenue. This is the first operating year for this segment, hence there are no comparative amounts for 2002.

Capital Expenditures

Capital expenditures in the Oilfield Construction and Maintenance segment was \$677,683 in 2003. This consisted of earth moving equipment as well as additional assets to prepare for the anticipated increase in demand in 2004.

Technology Segment

■ Ironlink Inc.

In the overview section of the 2002 annual report we stated that as a result of less than expected customer adoption in e-business and the decline in the logistics business, it was foreseen as highly unlikely that the Company would achieve cash flow break-even by the end of 2003. In 2003, for e-business, the existing moveitonline™ version 2.0 was used by the businesses in our Oilfield Waste Management segment to facilitate operations and better serve customers. The logistics operations were minimal and confined to those associated with the use of the e-business software.

Revenue

Revenue decreased by \$4,830,235 or 91.1 percent to \$472,592 in 2003 from \$5,302,827 in 2002. The decline was a result of the change in strategic direction into oilfield services, the internal-only application of the moveitonline™ software and the restriction in logistics revenue to those associated with the use of the e-business software.

Direct Operating Expenses

These expenses decreased by \$4,343,269 or 92.4 percent to \$355,801 in 2003 from \$4,699,070 in 2002. The year-over-year decline is directly attributable to the decline in revenue for the segment.

Selling and Administrative Expenses

These expenses decreased by \$1,166,815 or 44.2 percent to \$1,473,885 in 2003 from \$2,640,700 in 2002. The decline is directly attributable to cost restructuring and the shift in strategic direction of the Company resulting in the deployment of resources and capital to the oilfield services sector. Non-recurring costs related to one-time retiring allowance payouts and restructuring costs occurred in the first quarter of 2003.

Capital Expenditures

There were no capital expenditures in the Technology segment in fiscal 2003.

Quarterly Operating Results

The following table provides an analysis of quarterly operating results for 2003 and 2002.

2003	December 31	September 30	June 30	March 31
Revenue	\$ 4,583,075	\$ 3,001,349	\$ 679,536	\$ 301,664
Operating income (loss)	\$ 270,455	\$ 1,003,658	\$ (348,538)	\$ (1,265,847)
Net income (loss)	\$ (30,674)	\$ 500,741	\$ (345,437)	\$ (904,519)
Net income (loss) per share basic and diluted	0.0	0.02	(0.02)	(0.06)
2002	December 31	September 30	June 30	March 31
Revenue	\$ 594,246	\$ 778,295	\$ 1,709,950	\$ 2,220,336
Operating income (loss)	(862,617)	(657,752)	(727,084)	(530,525)
Net income (loss)	(492,195)	(493,406)	(1,063,511)	(442,617)
Net income (loss) per share basic and diluted	(0.03)	(0.03)	(0.07)	(0.03)

2003

The quarterly operating results as shown in the above table present the change in strategic direction of the Company in moving from logistics and e-business into the oilfield services sector. Revenue from oilfield services commenced in April 2003 with the acquisition of PDS and the creation of the Oilfield Waste Management segment which accounted for 44 percent of the total revenue for 2003. In September 2003 the acquisition of Patch Point Enterprises Ltd. was completed and operated under the Oilfield Construction and Maintenance segment generating 50 percent of the total revenue for 2003. The Technology segment accounts for the remaining 6 percent of total revenues. Operating income (loss) occurred primarily in the first

quarter of 2003 prior to our transition into oilfield services. The loss in the first quarter was increased due to the retiring allowances paid out in the year resulting from the Company's restructuring program.

2002

The quarterly operating results as shown in the above table reflect the market's reluctance to accept the concept of collaboration and sharing of data which is a required feature of most new supply chain applications. The logistics segment (Ironlink) was intended to be a complementary business unit to the e-business unit, functioning as a cash flow base and as a viable enterprise in its own right. Ironlink never gained customer acceptance as reflected in the declining revenue numbers and by the end of 2002 most of the customers had migrated away.

Liquidity

Our working capital at December 31, 2003 was \$3.7 million which is sufficient to fund our present operating activities. Cash will be generated from our oilfield services segments and other sources including a \$2.5 million line of credit and asset-based lending on property, plant and equipment carrying a net book value of \$8.5 million. These sources of cash will enable us to maintain our capacity and to meet our planned growth. The risks associated with operations include the levels of drilling activity and capital projects in western Canada, as well as our exposure to fluctuations in interest rates.

We had an obligation in the first quarter of 2004 to pay \$2.7 million in bonuses related to the acquisition of Patch Point. This obligation was paid in February 2004. The demand loans include a \$2 million non-convertible debenture and management anticipates no principal payments on this debenture in 2004. We know of no other commitments that would cause expected fluctuations in our Company's liquidity.

Cash Flow – 2003

Cash used in operations was \$67,760 compared to \$1,553,654 in 2002, a decrease of 95.6 percent. The Company started the year with \$7,152,264 of cash or \$7,084,504 after the cash used to fund operations. Additional funds included \$7,507,861 generated from the issue of stock in private placements; \$2,000,000 in debenture proceeds; \$181,687 as proceeds from long-term debt; \$96,630 of non-cash working capital items and other of \$157,924. The total cash of \$17,028,606 was used to fund \$5,968,418 of net acquisitions (see note 2 of the financial statements); net equipment additions of \$1,638,219;

repayment of long-term debt and capital leases of \$173,879; repayment of shareholders' loans of \$4,295,613, and other of \$56,490, leaving a cash balance of \$4,895,987 at December 31, 2003.

Capital Expenditures

During the year the Company's net fixed asset expenditures were \$1,638,219 versus \$631,060 in 2002. Acquisitions resulted in an additional \$6,959,981 of new fixed assets. Actual additions including capital leases of \$152,432 were \$1,837,234, while proceeds of disposition were \$46,583. Most expenditures were related to oilfield services equipment. The Oilfield Waste Management segment was \$1,143,594 in 2003 and the Oilfield Construction and Maintenance segment was \$677,683 in 2003. Other capital expenditures were \$15,957.

Acquisitions

During the year the Company paid \$5,968,418 in net cash and \$3,758,768 via share issuances for acquisitions for total consideration paid of \$9,727,186. These amounts were related to four businesses: three in the Oilfield Waste Management segment and one in the Oilfield Construction and Maintenance segment. All the acquisitions were share purchases and are accounted for by the purchase method. Results of operations from the dates of acquisition have been included in the Company's consolidated financial statements for the year.

Shareholders' Equity

Share capital increased by \$11,433,812, reflecting net proceeds on the private placement of 6,000,000 shares as well as issuance of 5,690,000 common shares on acquisitions.

Contractual Obligations

	Total	Payments Due by Period				
		2004	2005	2006	2007	2008
Long-term debt	\$ 272,825	\$ 150,737	\$ 72,753	\$ 49,335	-	-
Capital lease obligations	\$ 233,114	\$ 113,572	\$ 26,178	\$ 28,050	\$ 65,314	-
Operating leases	\$ 928,476	\$ 203,965	\$ 203,152	\$ 202,127	\$ 200,338	\$ 118,894
Total contractual obligations	\$ 1,434,415	\$ 468,274	\$ 302,083	\$ 279,512	\$ 265,652	\$ 118,894

The deficit increased from \$86,575 at year-end 2002 to \$866,464 at year-end 2003, reflecting a net loss of \$779,889.

Capital Resources

The Company has a plan to spend up to \$10 million on capital expenditures in 2004. Of this amount \$1.0 million has been committed to upgrade our plant in Grande Cache, Alberta to a full waste processing facility. The Company has sufficient cash to fund this expenditure from current working capital. The Company expects that the balance of the capital budget for 2004 will be funded from a combination of debt and cash flow from 2004 operations. Other planned expenditures include a similar upgrade at our Rycroft plant and additional new plants at sites to be determined.

The Company has available a \$2,500,000 line of credit which is currently not being used.

Transactions with Related Parties

A director of the Company is also a director, officer and shareholder of the Company's former parent, Mullen Transportation Inc. (Mullen). An officer and director of the Company is also a partner in the firm of the Company's legal counsel. Amounts related to both Mullen and the Company's legal counsel are summarized below:

Years ended December 31	2003	2002
Due to Mullen (accounts payable)	\$ 8,393	\$ 8,393
Due to legal counsel (accounts payable)	\$ -	\$ -
Due from Mullen (accounts receivable)	\$ 11,310	\$ 11,310

For the years ended December 31, 2003 and 2002, the Company incurred nil interest related to the above amounts.

The Company had contracts with certain Mullen subsidiaries in the normal course of operations to complete transportation services. As well, Mullen had contracted the Company to provide software services at the same terms and conditions as transactions with unrelated

companies. Services received from the Company's legal counsel are in the normal courses of operations. Related party services generated amounts as summarized below:

Years ended December 31	2003	2002
Revenue (from Mullen)	\$ 25,372	\$ 123,343
Expenses (from Mullen)	\$ 150,750	\$ 2,208,465
Expenses (from legal counsel)	\$ -	\$ -

Fourth Quarter

For the three months ended December 31, the increase in revenue is attributed to year-over-year increases in both oilfield services segments. In the Oilfield Waste Management segment, revenues of \$1.53 million were primarily generated from the two disposal facilities operated by PDS. A third disposal facility was acquired late in the fourth quarter, thus no meaningful revenues were generated from this facility in the quarter. For comparative purposes, revenues in this segment were \$1.7 million in the third quarter of 2003. The slight decline quarter-over-quarter is due to lower revenues from oil sales.

In the Oilfield Construction and Maintenance segment, revenues were \$3.02 million and result from the acquisition of Patch Point which was effective September 10, 2003 and as such, there are no comparative results to report. Patch Point, based in Fort St. John, British Columbia, completed a number of contracts in the fourth quarter, benefiting from a strong demand for construction pipeline activity in British

Columbia, an area of significant oil and gas drilling. Although Patch Point was busy in the fourth quarter its costs were higher than expected due to activities involved in positioning the Company for an active first quarter of 2004.

In terms of profitability, the Company is reporting a significant improvement. In the fourth quarter of 2003, operating income was \$270,455 as compared to an operating loss of \$862,617 in the prior year. The year-over-year gain of \$1,133,072 can be attributed to the strong performance of the Oilfield Waste Management segment as well as reductions in administrative expenses associated with the change in the Company's strategic direction. The Oilfield Construction and Maintenance segment was only marginally profitable in the quarter primarily due to higher project costs and lower margins on bid contracts. Net loss for the quarter was \$30,674 or \$0.00 per share as compared to last year's net loss of \$492,195 or \$0.03 per share.

Critical Accounting Estimates

Estimates of allowance for doubtful accounts – As the Company has accounts receivable of \$4,890,409, it is necessary to consider the need for a provision for doubtful accounts. The provision recorded at December 31, 2003 was \$64,282.

Estimates of depreciation – The Company has significant estimates relating to the depreciation policies for property, plant and equipment. The provision recorded at December 31, 2003 was \$1,027,912.

Estimates of asset retirement obligations – The Company has estimated its future obligation related to the reclamation of waste disposal sites for both Rycroft and PDS. The total obligation recorded at December 31, 2003 was \$245,740.

Estimates of tax pools and their recoverability – The Company has estimated its tax pools for the income tax provision. Filing of the tax returns will take place shortly.

Stock options – The Company accounts for its employee stock options on the fair value basis of accounting. As disclosed in the notes to the financial statements, the impact on net income of compensation expense would have been \$45,100.

Changes in Accounting Policies

There were no new accounting policies applied during the year or material changes in application of continuing accounting policies.

Alternative accounting treatments with respect to continuing accounting policies:

Stock-based compensation – For 2002 and 2003, Canadian generally accepted accounting principles (GAAP) provided the alternative of accounting for options granted to employees using the fair value method, the intrinsic value method or the settlement method. The Company elected to apply the settlement method with additional

disclosure in the notes outlining the impact on earnings had the Company followed the fair value method. In 2003, Canadian GAAP was revised to require the expensing of options either (a) prospectively for options granted since January 1, 2003 or (b) commencing January 1, 2004, retroactively for options granted since January 1, 2002. Producers Oilfield Services has elected to retroactively adopt the new standards as of January 1, 2004 and accordingly, will expense the fair value of all options granted since January 1, 2002 based on options that have vested as at March 31, 2004.

Revenue recognition – The Company recognizes revenue upon completion of the job or final sale of the product/service. Alternatively, the Company could recognize revenue as services are rendered or on a percentage completion basis. The Company's current accounting policy is appropriate under Canadian GAAP. In addition, the current policy is appropriate under accounting guidance (EIC 141) relating to revenue recognition recently issued in Canada.

There are a number of Canadian accounting standards which do not require adoption until January 1, 2004 or later, but permit early adoption. On the basis that early adoption is permitted, there are alternative accounting treatments for 2003. Each standard and its potential impact on Producers Oilfield Services are summarized under the New Accounting and Regulatory Developments section.

Business Risks

This annual report contains forward looking statements, which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "believe", "expect" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this annual report are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation to update or revise them to reflect new events or circumstances. The Company is subject to certain economic risks which include a slow down in oil and gas exploration and production activity. Fluctuations in commodity prices also affect the value of the crude oil the Company recovers and resells. In 2003 oil sales accounted for 16 percent of total revenue. The oilfield waste management industry is highly regulated and the Company's business is affected by government regulation.

At December 31, 2003 the Company has debt of \$2,505,936 consisting of a debenture, capital leases and long term debt at varying interest rates. The Company is at risk of interest rates rising, but has the ability to lock in the term debt rate. Alternatively, with its current cash reserves and cash flow, the Company could repay all of its debt within a year.

Outlook

During 2003 the Company had a complete makeover, moving from e-business and logistics to oilfield services. The Company completed four acquisitions in 2003 and we expect those businesses will have a strong year in 2004. We believe the positive results will be generated by the strength of the western Canada oil and gas industry and our ability to find well managed companies to fuel our growth in the oil and gas sector. The Company is well positioned for 2004 with working capital at the start of the year of \$3,706,160 and a debt-to-equity ratio of 0.14 to 1 times. We are in a strong financial position, capable of taking advantage of opportunities as they arise in the Oilfield Waste Management and Oilfield Construction and Maintenance segments. Our plan is to add up to four new waste facilities and expand the capabilities of two current waste facilities; Grande Cache and Rycroft.

Management's Report to Shareholders

The accompanying consolidated financial statements of Producers Oilfield Services Inc. have been approved by the Board of Directors and have been prepared in accordance with Canadian generally accepted accounting principles. They necessarily include amounts which reflect management's judgement and best estimates. The financial information contained elsewhere in this report has been reviewed to ensure consistency with these financial statements.

All information, including financial, in the annual report is the responsibility of management.

Management maintains accounting control systems designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, financial records are accurately maintained and statements are generated in a timely manner.

The Board of Directors oversees the management of the Company and is responsible for ensuring that management fulfils its responsibility for financial reporting and internal control. The Board carries out this responsibility through its Audit and Finance Committee. The Committee, which consists solely of non-management directors, reviews the financial statements and annual report and recommends them to the Board for approval. The Committee meets with management and the external auditors to discuss internal controls, auditing matters, and financial reporting issues. External auditors have full and unrestricted access to the Audit and Finance Committee. The Committee also recommends a firm of external auditors to be appointed by the shareholders.



Stephen H. Lockwood

President

March 4, 2004



Robert J. Baldwin

Vice-President, Finance and Chief Financial Officer

Auditors' Report to Shareholders

We have audited the consolidated balance sheets of Producers Oilfield Services Inc. (formerly Moveitonline Inc.) as at December 31, 2003 and 2002 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 4, 2004

Consolidated Balance Sheet

As at December 31, 2003 and 2002

Assets

Current assets

Cash, cash equivalents and term deposits (note 1(b))	\$ 1,895,987	\$ 7,152,264
Accounts receivable	1,890,409	548,828
Income taxes recoverable	243,551	1,064,916
Prepaid expenses	19,799	143,909
	10,449,746	8,909,917

Other assets (note 3)

Property, plant and equipment (note 4)	158,269	33,263
Goodwill	8,515,916	796,930
	17,687,791	-
Future income tax asset (note 5)	199,261	727,609
	\$ 17,790,694	\$ 10,467,719

Liabilities and Shareholders' Equity

Current liabilities

Accounts payable and accrued liabilities	\$ 4179,682	\$ 553,894
Demand loans (note 8)	2,291,585	-
Current portion of obligation under capital leases (note 6)	113,573	-
Current portion of long-term debt (note 7)	15,572	-
	6,735,576	553,894

Obligations under capital leases (note 6)

Long-term debt (note 7)	119,542	-
Asset retirement obligation	122,088	-
	241,740	-
	7,222,946	553,894

Shareholders' Equity

Share capital (note 9(b))	21,434,216	10,000,400
Deficit	(865,404)	(86,575)
	20,568,812	9,913,825
	\$ 17,790,694	\$ 10,467,719

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Murray K. Mullen
Director



Stephen H. Lockwood
Director

Consolidated Statements of Income and Retained Earnings (Deficit)

Years ended December 31, 2003 and 2002

	2003	2002
Revenue	\$ 8,565,624	\$ 5,302,827
Expenses		
Direct operating	5,975,241	4,699,070
Selling and administrative	2,930,655	3,381,735
Operating loss	(340,272)	(2,777,978)
Depreciation	1,027,912	639,785
Loss on disposal of assets	3,734	-
Interest expense (income)	35,484	(162,595)
Loss on disposal of option	-	541,085
	1,067,130	1,018,275
Loss before income taxes	(1,407,402)	(3,796,253)
Provision for income taxes (note 5)		
Current (recovery)	(254,477)	(1,061,729)
Future (reduction)	(309,695)	(234,216)
	(564,172)	(1,295,945)
Loss before earnings from equity investment and extraordinary item	(843,230)	(2,500,308)
Earnings from equity investment	10,624	8,579
Net loss before extraordinary item	(832,606)	(2,491,729)
Extraordinary item, net of tax (note 2)	52,717	-
Net loss	(779,889)	(2,491,729)
Retained earnings, beginning of year	(86,575)	2,405,154
Deficit, end of year	\$ (866,464)	\$ (86,575)
Loss per share		
Basic and diluted	\$ (0.04)	\$ (0.17)
Weighted average number of shares	20,250,777	14,370,530

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2003 and 2002

Cash provided by (used in)

Operations

Net loss	(1,479,889)	\$ (2,491,729)
Items not involving cash:		
Loss on disposal of assets	3,734	-
Loss on disposal of option		541,085
Future income tax reduction	(309,695)	(234,216)
Extraordinary item, net of tax (note 2)	(52,717)	-
Depreciation	1,027,912	639,785
Proceeds (earnings) from equity investment	33,264	(8,579)
Asset retirement obligation	9,631	-
	(67,760)	(1,553,654)
Changes in non-cash working capital items (note 10)	96,630	2,861,053
	28,870	1,307,399

Financing activities

Proceeds of debenture	2,000,000	-
Issuance of common shares	7,507,861	-
Shareholder loan receivable	157,924	-
Capital lease payments	(44,175)	-
Repayment of long-term debt	(129,704)	-
Proceeds of long-term debt	181,667	-
Repayment of shareholder loans	(4,293,613)	-
	5,377,980	-

Investing activities

Term deposits	1,000,000	(1,000,000)
Acquisition of subsidiaries (note 2)	(6,321,264)	-
Cash acquired at acquisition	352,846	
Equipment additions	(1,684,802)	(631,060)
Repayment of loan receivable		821,667
Proceeds on sale of equipment	46,583	-
Security deposits	(56,490)	-
	(6,663,127)	(809,393)
	(1,256,277)	498,006

Increase (decrease) in cash position

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

	895,987	\$ 2,152,264
Supplemental cash flow information		
Taxes paid	89,524	\$ 20,681
Interest paid	41,808	\$ 180,293

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2003 and 2002

Basis of presentation

Producers Oilfield Services Inc. (Producers Oilfield or the Company) formerly Moveitonline Inc., was incorporated under the laws of the province of Alberta on March 30, 2000 and commenced operations on December 1, 2000 upon the acquisition of the shares of Ironlink Inc. (Ironlink), formerly known as Mullen Logistics Inc., from Mullen Transportation Inc. (Mullen), then the parent of both companies. Ironlink commenced activities on November 1, 1999. On June 1, 2001, the Company was separated from Mullen pursuant to the April 2001 Plan of Arrangement. On September 10, 2003 and on April 4, 2003, the Company purchased all the outstanding shares of Patch Point Enterprises Ltd. (Patch Point) and Producers Disposal Services Ltd. (PDS), respectively. On October 31, 2003 and December 12, 2003 the Company purchased all the issued and outstanding shares of Natana Inc. and Rycroft Disposal Well Inc. (Rycroft), respectively.

Patch Point provides construction and maintenance services to the oil and gas industry in northern British Columbia and northern Alberta. PDS and Rycroft provide environmentally responsible waste management solutions to the upstream oil and gas industry.

The consolidated financial statements include the accounts of the Company and subsidiaries, all of which are wholly-owned. The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and are reported in Canadian dollars.

1. Significant accounting policies

(a) Investments

The investment in a logistics company over which the Company has significant influence was accounted for using the equity method. In August 2003, the Company acquired all the remaining issued and outstanding shares of the logistics company for \$70 (note 2). The subsidiary is currently inactive.

Significant accounting policies (continued)

(b) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is prorated from the month of purchase or disposal. Depreciation is provided over the estimated useful lives of the assets as follows:

Assets	Method	Rate
Oilfield service equipment	declining balance	20%
Automotive and contracting	straight-line	6 - 7 years
Deposit wells	declining balance	8%
Buildings	declining balance	4 - 10%
Land improvements	declining balance	8 - 30%
Equipment, furniture and fixtures	straight-line	5 years
Computer equipment	straight-line	3 years
Computer software	straight-line	2 years
Asset retirement obligation	straight-line	20 years
Leasehold improvements		Life of lease

(c) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting segments that are expected to benefit from the business combination.

Goodwill is not amortized and is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicated that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared with its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination.

1 Significant accounting policies (continued)

described in the preceding paragraph, using the fair value of the reporting segment as if it was the purchase price. When the carrying amount of reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(d) Asset retirement obligation

In conjunction with the acquisitions of PDS and Rycroft (note 2), the Company adopted the new Canadian accounting standards for future environmental clean up and site closure costs. Under the standard, the Company has recorded an estimate of the discounted cash flows of the cleanup and site closure costs. Management periodically reviews the estimates to ensure adequacy of the liability.

It is management's estimate that the remaining life of the disposal sites is approximately 15-20 years, at which time the cost to close the disposal sites will approximate \$1,203,626. The discounted cash flow required to retire the assets was determined using a rate of 10.09-10.85 percent, which was determined by the risk-free rate of 5.09-5.22 percent, plus a 5-5.63 percent credit risk premium. The accrued liability for closure of the disposal sites is recognized over the estimated remaining life of the sites. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and the asset is depreciated over its estimated useful life.

(e) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities) and are measured using the currently enacted or substantially enacted, tax rates and laws expected to apply when these differences reverse.

(f) Revenue recognition

In the Oilfield Waste Management segment, treatment and disposal revenue is recognized at the time treatment services are provided. Oil sales are recorded at the time of sale. In the Oilfield Construction and Maintenance segment, revenue is recognized on a percentage of completion basis for fixed price contracts. Revenue from contracts on an hourly basis is recognized as services are provided and only when collectibility is reasonably assured. Customer contract terms do not include provisions for post service delivery obligations.

1. Significant accounting policies (continued)

In the Technology segment, revenue for set-up, monthly fees and transaction fees is recognized in the month of completion of service. For logistic services, revenue is recognized upon completion of transportation management services provided.

(g) Stock-option plan

The Company has a stock option plan as described in note 9(c). Effective January 1, 2002, the Company adopted the new Canadian accounting standard relating to stock-based compensation and other stock-based payments to non-employees. The new standard is to be applied prospectively for stock-based payments to non-employees and to employee awards that are direct awards of stock. For awards granted to non-employees, the Company follows the fair value method of accounting for stock options. The Company uses the settlement date method of accounting for stock-based compensation granted to employees and directors.

Effective January 1, 2004, the Company will retroactively adopt new required Canadian accounting standards that will apply the fair value method to all stock-based payments and awards. Under the fair value method, the Company will calculate the fair value of stock option grants or direct awards of stock and record that fair value as compensation expense over the vesting period of those grants and awards.

(h) Per share amounts

The calculation of basic loss per common share is based on the weighted average number of common shares outstanding of 20,250,777 and 14,370,530 for the years ended December 31, 2003 and 2002, respectively. Diluted loss per share is calculated using the treasury stock method and has not been presented separately as the result is anti-dilutive.

(i) Comparative information

Certain comparative information has been reclassified to conform to the current financial statement presentation adopted.

2. Acquisitions

On September 10, 2003 the Company purchased all the issued and outstanding shares of Patch Point Enterprises Ltd. (Patch Point) for cash consideration of \$2,738,242 and share consideration of \$1,681,500 through the issuance of 2,000,000 shares of common stock. Results of operations for Patch Point are reflected in these financial statements.

2 Acquisitions (continued)

On April 4, 2003, the Company purchased all the issued and outstanding shares of Producers Disposal Services Ltd. (PDS) for cash consideration of \$1,959,093 and share consideration of \$1,950,435 through the issuance of 3,590,000 shares of common stock. Results of operations for PDS from April 4, 2003 are reflected in these financial statements.

On October 31, 2003 the Company purchased all the issued and outstanding shares of Natana Inc. for a cash consideration of \$849,863. Natana Inc. owned 50 percent of the issued and outstanding shares of Rycroft Disposal Well Inc. (Rycroft). On December 12, 2003 the Company purchased the remaining issued and outstanding shares of Rycroft for cash consideration of \$772,205 and share consideration of \$126,833 through the issue of 100,000 shares of common stock. Results of operations from cost of purchase are reported in these financial statements and the acquisitions are combined (below) under Rycroft.

On August 31, 2003 the Company purchased the remaining issued and outstanding shares of Inuvialuit Northern Logistics Corporation (INL) for a cash consideration of \$70. INL is currently inactive.

The acquisitions were accounted for using the purchase method as follows:

	Patch Point	PDS	Rycroft	INL	Total
Assets					
Non-cash working capital	\$ 373,866	\$ -	\$ -	\$ 45,414	\$ 419,280
Shareholder loan receivable	-	157,924	-	-	157,924
Equipment	2,772,535	2,620,390	1,567,056	-	6,959,981
Security deposits	-	211,770	51,900	-	263,670
Goodwill	2,739,659	3,389,736	1,636,386	-	7,765,781
Future income taxes	-	-	51,380	-	51,380
	5,886,060	6,379,820	3,306,722	45,414	15,618,016
Liabilities					
Non-cash working capital	-	71,552	140,690	-	212,242
Obligations under capital lease	119,664	5,193	-	-	124,857
Long-term debt	80,933	431,494	-	-	512,427
Shareholder loans	1,503,028	1,500,000	1,292,585	-	4,295,613
Asset retirement obligation	-	110,424	125,685	-	236,109
Future income taxes	414,235	12,000	-	-	426,235
	2,117,860	2,130,663	1,558,960	-	5,807,483

2. Acquisitions (continued)

Net assets before cash position	3,768,200	4,249,157	1,747,762	45,414	9,810,533
Cash (bank indebtedness)	651,542	(339,629)	1,139	39,794	352,846
	\$ 4,419,742	\$ 3,909,528	\$ 1,748,901	\$ 85,208	\$ 10,163,379
Consideration					
Cash	\$ 2,738,242	\$ 1,959,093	\$ 1,622,068	\$ 1,861	\$ 6,321,264
Common shares	1,681,500	1,950,435	126,833	-	3,758,768
Gain on acquisition	-	-	-	83,347	83,347
	\$ 4,419,742	\$ 3,909,528	\$ 1,748,901	\$ 85,208	\$ 10,163,379

3. Other assets

Other assets consists of an equity investment in a logistics company and security deposits. The equity investment balances are as follows:

	2002
30% equity investment at cost	\$ 1
Equity earnings	33,362
	\$ 33,363

In August 2003, the Company received proceeds of \$33,263 from the equity investment and purchased all the remaining issued and outstanding shares of the logistics company for \$70.

Security deposits of \$268,260 consist of funds held on deposit under restrictions regulated by the Alberta Energy and Utility Board. Deposits held by the Board accrue interest at the bank prime rate less 1.875 percent.

The Company had a \$500,000 option to purchase a private software company. The option expired the later of April 2002 or upon thirty-days written notice by the optionees. Such notice was received in the second quarter of 2002. The Company elected to not purchase the software company. As a consequence, the value of the option and related costs associated with the initial grant (totalling \$541,085) were charged to income in the second quarter of 2002.

4. Property, plant and equipment

December 31, 2003	Cost	Accumulated Depreciation	Net Book Value
Oilfield service equipment	\$ 3,224,403	\$ 225,644	\$ 2,998,759
Automotive and contracting	3,362,193	159,627	3,202,566
Deposit wells	947,804	33,882	913,922
Buildings	802,052	23,125	778,927
Land improvements	148,213	24,244	123,969
Equipment, furniture and fixtures	69,113	25,333	43,780
Computer equipment	393,560	282,629	110,931
Computer software	1,241,643	1,125,436	116,207
Asset retirement obligation	231,420	4,565	226,855
	\$ 10,420,401	\$ 1,904,485	\$ 8,515,916

December 31, 2002	Cost	Accumulated Depreciation	Net Book Value
Equipment, furniture and fixtures	\$ 34,705	\$ 15,502	\$ 19,203
Computer equipment	457,030	207,164	249,866
Computer software	1,235,632	711,558	524,074
Leasehold improvements	11,957	8,170	3,787
	\$ 1,739,324	\$ 942,394	\$ 796,930

Included in oilfield service equipment is \$688,140 of assets not yet available for use, and accordingly, have not been amortized.

5. Income taxes

The provision for income taxes differs from the amount expected by applying the combined federal and provincial statutory income tax rate of 36.75 percent (2002 – 39.25 percent) as follows:

	2003	2002
Computed expected income tax provision (recovery)	\$ (1,517,220)	\$ (1,490,029)
Add (deduct):		
Non-deductible expenses	100,169	100,169
Current income tax recovery at different tax rates	(116,261)	(116,261)
Benefit of future tax assets not realized	95,014	95,014
Change in future tax balances due to substantively enacted tax rate reductions	104,711	104,711
Other	10,451	10,451
Provision for income taxes (reduction)	\$ (1,295,945)	\$ (1,295,945)

In 2003 and 2002, the Government of Alberta enacted a tax rate reduction of 0.5 percent in each year respectively. The effect of the income tax rate reduction on the Company's future income tax balances has been reflected as a reduction of future income tax expense in 2003 and 2002.

5. Income taxes (continued)

The components of the net future income tax assets are as follows:

	2003	2002
Future income tax assets:		
Non-capital losses	\$ 254,936	\$ 426,704
Capital losses	93,662	95,014
Share issue costs	167,183	-
Asset retirement obligation	85,075	-
Property, plant and equipment	-	300,905
Gross future income tax assets	1,100,856	822,623
Less: valuation allowance	(93,662)	(95,014)
	1,007,194	727,609
Future income tax liability:		
Property, plant and equipment	208,193	-
Net future income tax assets	\$ 799,001	\$ 727,609

As at December 31, 2003, the Company had non-capital losses for Canadian federal income tax purposes of \$2,268,569. The non-capital tax losses expire as follows:

2006	\$ 82,379
2007	124,909
2008	822,409
2009	461,572
2010	777,300
	\$ 2,268,569

6. Capital leases

Future minimum payments under capital leases consisted of the following at December 31, 2003:

2004	\$ 122,727
2005	33,635
2006	33,635
2007	68,153
Thereafter	-
Total minimum lease payments	258,150
Amounts representing interest	(25,036)
Present value of net minimum lease payments	233,114
Less: current portion	113,572
	<u>\$ 119,542</u>

7. Long-term debt

Various financing loans with rates between 0% and 9.5% with monthly blended principal and interest payments not exceeding \$9,241. These loans are secured by specific operating equipment.

Unsecured Government Guarantees, the Company has the following unsecured government guarantees:

Loan payable with monthly principal payments of \$5,028 plus interest at bank prime rate plus 2.5% with the final payment due June 2004.

Loan payable with monthly principal payments of \$2,500 plus interest at bank prime rate plus 2.75% with final payment due November 2004.

Less: current portion

2003	2002
\$ 15,113	\$ -
	-
50,168	-
7,500	-
272,825	-
150,277	-
<u>\$ 122,089</u>	<u>\$ -</u>

8. Demand loans

Non-convertible debenture payable on demand with quarterly interest payments on the principal outstanding at a rate of 10% per annum. This debenture is secured by a general security agreement on the Company's assets.

Demand loan with monthly principal repayments of \$9,700. Interest is calculated on the remaining principal at the bank prime rate plus 1%.

Demand loan with monthly principal payments of \$675. Interest is calculated on the remaining principal at bank prime rate plus 1%.

2001	2002
\$ 2,000,000	\$ -
264,979	-
26,606	-
\$ 2,291,585	\$ -

9. Share capital

(a) Authorized

Unlimited number of Class "A" common shares without nominal or par value

Unlimited number of preferred shares without nominal or par value

(b) Issued

	Number of Common Shares	Amount
Balance December 31, 2002 and 2001	14,370,530	\$ 10,000,400
Issued on acquisition of subsidiaries (note 2)	5,690,000	3,758,768
Issued on private placements	6,000,000	7,675,044
Balance at December 31, 2003	26,060,530	\$ 21,434,212

(c) Stock option plan

The Company may grant stock options pursuant to a Stock Option Plan effective June 1, 2001 to employees, directors and officers for up to 1,500,000 common shares, which have been reserved for this purpose. The plan contains restrictions which limit the number of options that may be issued. Options must be exercised within ten years from the grant date.

9. Share capital (continued)

Under the plan the exercise price cannot be lower than the closing market price on the Toronto Stock Exchange on the trading day prior to the grant.

Options outstanding at an exercise price of \$1.00 vest over time. Options outstanding at an exercise price of \$4.90 vest based upon a combination of financial performance and time.

During the twelve months ended December 31, 2003, the Company granted 458,000 options to employees. The options were granted at an exercise price of \$1 per share. The per share weighted average fair value of these stock options was \$1 based on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 3.94 percent, expected life of 5 years, maximum 10 year life, expected dividends of nil and expected volatility of 92 percent. Had the Company determined stock based compensation cost based on the fair value at the date of grant for its stock options, the Company's pro-forma net loss would have increased by \$45,100 to \$883,956 and the pro-forma loss per share would have remained at \$.04 for the year ending December 31, 2003.

These pro-forma earnings reflect compensation costs amortized over the option's vesting period.

Changes in the number of options, with their weighted average exercise prices are summarized below:

	2003		2002	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	920,000	\$ 3.95	971,000	\$ 4.00
Granted	458,000	1.00	-	-
Cancelled	(900,000)	3.91	(51,000)	4.90
Outstanding, end of year	478,000	\$ 1.20	920,000	\$ 3.95
Exercisable at end of year	43,333	\$ 1.90	464,000	\$ 3.01

9. Share capital (continued)

The following table summarizes information about stock options outstanding at December 31, 2003:

Number of Options	Options Outstanding		Options Exercisable	
	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
25,000	7.4	\$ 4.90	10,000	\$ 4.90
183,000	9.4	1.00	33,333	1.00
70,000	9.6	1.00	-	-
200,000	9.7	1.00	-	-
478,000	9.3	\$ 1.20	43,333	\$ 1.90

10. Changes in non-cash working capital items

	2003	2002
Accounts receivable	\$ 483,389	\$ 3,517,657
Income taxes recoverable	744,062	(126,695)
Prepaid expenses	124,907	(61,430)
Accounts payable and accrued liabilities	(1,255,728)	(468,479)
	\$ 96,630	\$ 2,861,053

11. Financial instruments

(a) Fair value of financial assets and liabilities

The carrying value of cash, cash equivalents, term deposits, accounts receivable, income taxes recoverable, security deposits, accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity. Cash equivalents are restricted to investments that are readily convertible into a known amount of cash and are subject to minimal risk of changes in value.

11. Financial instruments (continued)

(b) Cash, cash equivalents and term deposits

The Company considers deposits in banks as cash. Certificates of deposit, money market investments and deposits in trust accounts with original maturities of three months or less are considered cash equivalents. Those with original maturities greater than three months are considered term deposits. The major components are as follows:

	2003	2002
Cash	\$ 995,987	\$ 904,781
Cash equivalents		1,247,483
Cash and cash equivalents		2,152,264
Term deposits	5,000,000	5,000,000
Cash, cash equivalents and term deposits	\$ 5,995,987	\$ 7,152,264

(c) Credit risk

The Company provides oilfield and technology services to a variety of oil and gas exploration and development companies. Management believes that there is no significant risk with the collections of any accounts receivable balances.

Interest rate risk

The Company manages its exposure to interest rate risk by a combination of fixed and floating rate borrowings.

12. Credit facilities

The Company has access to a revolving credit facility with a Canadian chartered bank for \$500,000, which bears interest at the bank prime rate plus 1.0 percent. Indebtedness under the credit facility is payable on demand and is secured by a General Security Agreement as well as Security Agreements on equipment and buildings. The credit facility is subject to review at anytime.

13. Commitments

- (a) The Company is committed to monthly payments for operating equipment, buildings and leased office premises until 2008. Annual minimum payments required subsequent to 2003 are as follows:

2004	\$	204,000
2005		203,000
2006		202,000
2007		200,000
2008		119,000

- (b) In connection with the acquisition of Patch Point (note 2) certain officers and directors are entitled to receive a bonus equal to 25 percent of Patch Point earnings before interest and taxes in excess of \$1,500,000 calculated annually until August 31, 2006. To December 31, 2003, no amounts are payable with respect to this bonus arrangement.

14. Segmented information

In 2003, the Company shifted its strategic direction to redeploy capital into the oilfield services sector and on April 4, 2003 acquired all of the issued and outstanding shares of Producers Disposal Services Ltd. The Company continues to deploy assets into the oilfield services sector and on September 10, 2003 acquired all of the issued and outstanding shares of Patch Point Enterprises Ltd. On October 31, 2003 and December 12, 2003 the Company purchased all the issued and outstanding shares of Natana Inc. and Rycroft Disposal Well Inc. respectively. These companies operate an oilfield waste management plant. As a result of the change in strategic direction the Company will report the significant segments as follows:

- (a) Oilfield Waste Management – provides environmentally responsible waste management solutions to the upstream oil and gas industry.
- (b) Oilfield Construction and Maintenance – provides construction and maintenance services to the oil and gas industry.
- (c) Technology – provides web-based software to assist companies in managing their transportation activities as well as provide logistic services.

14. Segmented information (continued)

Sales between segments are charged at prevailing market values.

December 31, 2003	Oilfield Waste Management	Oilfield Construction and Maintenance	Technology	Corporate	Total
Revenue	\$ 3,800,067	\$ 4,292,965	\$ 472,592	\$ -	\$ 8,565,624
Expenses	2,473,658	3,786,840	1,829,686	815,712	8,905,896
Operating income (loss)	\$ 1,326,409	\$ 506,125	\$ (1,357,094)	\$ (815,712)	\$ (340,272)

December 31, 2002	Oilfield Waste Management	Oilfield Construction and Maintenance	Technology	Corporate	Total
Revenue	\$ -	\$ -	\$ 5,302,827	\$ -	\$ 5,302,827
Expenses	-	-	7,339,770	741,035	8,080,805
Operating income (loss)	\$ -	\$ -	\$ (2,036,943)	\$ (741,035)	\$ (2,777,978)

14. Segmented information (continued)

		Oilfield Construction and Maintenance	Technology	Corporate	Total
December 31, 2003	Oilfield Waste Management				
Current assets	\$ 1,481,022	\$ 4,025,161	\$ 161,250	\$ 4,774,303	\$ 10,441,736
Other assets	296,249	(391,124)	(48,469)	1,210,605	1,067,261
Fixed assets	5,001,123	3,287,220	202,440	25,133	8,515,916
Goodwill	5,026,122	2,739,659	-	-	7,765,781
	\$ 11,804,516	\$ 9,660,916	\$ 315,221	\$ 6,010,041	\$ 27,790,694

Capital expenditures excluding acquisitions	\$ 991,162	\$ 677,683	\$ -	\$ 15,957	\$ 1,684,802
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		Oilfield Construction and Maintenance	Technology	Corporate	Total
December 31, 2002	Oilfield Waste Management				
Current assets	\$ -	\$ -	\$ 2,153,956	\$ 6,755,961	\$ 8,909,917
Other assets	-	-	60,480	700,392	760,872
Fixed assets	-	-	738,459	58,471	796,930
	\$ -	\$ -	\$ 2,952,895	\$ 7,514,824	\$ 10,467,719

Capital expenditures excluding acquisitions	\$ -	\$ -	\$ 600,270	\$ 39,790	\$ 631,060
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15. Related party transactions

A director of the Company is also a director, officer and shareholder of the Company's former parent, Mullen Transportation Inc. ("Mullen"). An officer and director of the Company is also a partner in the firm of the Company's legal counsel. Amounts related to both Mullen and the Company's legal counsel are summarized below:

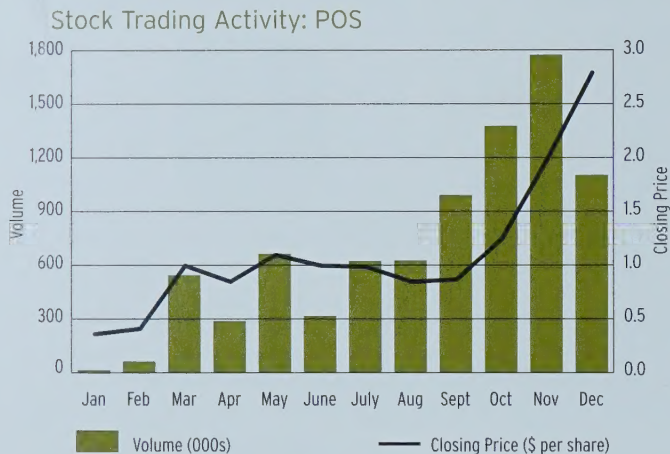
Years ended December 31,	2003	2002
Due to Mullen (accounts payable)	\$ 4,547	\$ 8,393
Due to legal counsel (accounts payable)	\$ 36,884	\$ -
Due from Mullen (accounts receivable)	\$ -	\$ 11,310

For the years ended December 31, 2003 and 2002, the Company incurred nil interest related to the above amounts.

The Company had contracts with certain Mullen subsidiaries in the normal course of operations to complete transportation services; as well Mullen had contracted the Company to provide software services at the same terms and conditions as transactions with unrelated companies. Services received from the Company's legal counsel are in the normal course of operations. Related party services generated amounts as summarized below:

Years ended December 31,	2003	2002
Revenue (from Mullen)	\$ 25,372	\$ 123,343
Expenses (from Mullen)	\$ 150,750	\$ 2,208,465
Expenses (from legal counsel)	\$ 248,367	\$ -

Shareholder Information



Opening Price – January 1, 2003: \$ 0.26

Closing Price – December 31, 2003: \$ 2.80

Total number of shares traded in 2003: 8,408,345

Transfer Agent and Registrar

CIBC Mellon Trust Company
 600, 333-7th Avenue S.W.
 Calgary, Alberta T2P 4P4
 Website: www.cibcmellon.com

Mailing Address:

P.O. Box 2517
 Calgary, Alberta T2P 2Z1
 Telephone: (403) 232-2400

Stock Exchange

The Toronto Stock Exchange
 Trading Symbol: POS

Online Information

This annual report can be
 viewed electronically at:
www.producersoilfield.com

Notice of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of
 Producers Oilfield Services Inc. will be held
 on May 12, 2004 in the Cardium Room at the
 Calgary Petroleum Club, 319-5th Avenue S.W.,
 Calgary, Alberta at 3:00 p.m.

Corporate Information

Directors and Officers

Kevin Baumann, Director

Jamie Biluk, Director

Kevin Hertz, Director

Stephen H. Lockwood, Q.C.,
President and Director

Kevin D. Olson, Director

Bruce W. Mullen, Director

Don Smith, Director

Murray K. Mullen,
Chairman of the Board and Director

Robert J. Baldwin,
Vice President Finance and
Chief Financial Officer

Head Office

Producers Oilfield Services Inc.
Suite 620, 333-11th Avenue S.W.
Calgary, Alberta T2R 1L9
Telephone: (403) 920-1111
Fax: (403) 920-1110
Web: www.producersoilfield.com
Email: info@producersoilfield.com

Banker

Royal Bank of Canada
Calgary, Alberta

Legal Counsel

Carscallen Lockwood LLP
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Transfer Agent and Registrar

CIBC Mellon Trust Company
Calgary, Alberta

Stock Exchange

Toronto Stock Exchange (TSX)
Symbol: POS



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